

bonding line, the Surety must submit an application to SBA under regular procedures.

(d) *Submission of forms to SBA*—(1) *Bid Bonds*. Within 15 business days after the Execution of any Bid Bonds under a bonding line, the Surety must submit a “Surety Bond Guarantee Underwriting Review” (SBA Form 994B) to SBA for approval. If that form is already on file with SBA and no new financial statements are required or have been received from the Principal, a “Surety Bond Guarantee Review Update” (SBA Form 994C) may be submitted instead. If the Surety fails to submit either form within this time period, SBA’s guarantee of the bond will be void from its inception unless SBA determines otherwise upon a showing that a valid reason exists why the timely submission was not made.

(2) *Final Bonds*. Within 15 business days after the Execution of any Final Bonds under a bonding line, the Surety must submit a signed Prior Approval Agreement and a “Surety Bond Guarantee Underwriting Review” (SBA Form 994B) to SBA for approval. If that form is already on file with SBA and no new financial statements are required or have been received from the Principal, a “Surety Bond Guarantee Review Update” (SBA Form 994C) may be submitted instead. If the Surety fails to submit these forms together with the Principal’s payment for its guarantee fee within this time period, SBA’s guarantee of the bond will be void from its inception unless SBA determines otherwise upon a showing that the Contract is not in default and a valid reason exists why the timely submission was not made.

(3) *Additional information*. The Surety must submit any other data SBA requests.

(e) *Cancellation of bonding line*—(1) *Optional cancellation*. Either SBA or the Surety may cancel a bonding line at any time, with or without cause, upon written notice to the other party. Upon the receipt of any adverse information concerning the Principal, the Surety must promptly notify SBA, and SBA may cancel the bonding line.

(2) *Mandatory cancellation*. Upon the occurrence of a default by the Principal, whether under a contract bonded

by the same or another surety or an unbonded contract, the Surety must immediately cancel the bonding line.

(3) *Effect of cancellation*. Cancellation of a bonding line by SBA is effective upon receipt of written notice by the Surety. Bonds issued before the effective date of cancellation remain guaranteed by SBA. Upon cancellation by SBA or the Surety, the Surety must promptly notify the Principal in writing.

#### § 115.34 Minimization of Surety’s Loss.

(a) *Imminent Breach*—(1) *Prior approval requirement*. SBA will reimburse its guaranteed share of payments made by a Surety to avoid or attempt to avoid an Imminent Breach of the terms of a Contract covered by an SBA guaranteed bond only if the payments were made with the prior approval of OSG. OSG’s prior approval will be given only if the Surety demonstrates to SBA’s satisfaction that a breach is imminent and that there is no other recourse to prevent such breach.

(2) *Amount of reimbursement*. The aggregate of the payments by SBA to avoid Imminent Breach cannot exceed 10% of the Contract amount, unless the Administrator finds that a greater payment (not to exceed the guaranteed share of the bond penalty) is necessary and reasonable. In no event will SBA make any duplicate payment pursuant to this or any other provision of this part 115.

(3) *Recordkeeping requirement*. The Surety must keep records of payments made to avoid Imminent Breach.

(b) *Salvage and recovery*. A Prior Approval Surety must pursue all possible sources of salvage and recovery until SBA concurs with the Surety’s recommendation for a discontinuance or for a settlement. The Surety must certify that continued pursuit of salvage and recovery would be neither economically feasible nor a viable strategy in maximizing recovery. See also § 115.17(b).

#### § 115.35 Claims for reimbursement of Losses.

(a) *Notification requirements*—(1) *Events requiring notification*. A Prior Approval Surety must notify OSG of the occurrence of any of the following: